



The State Budget

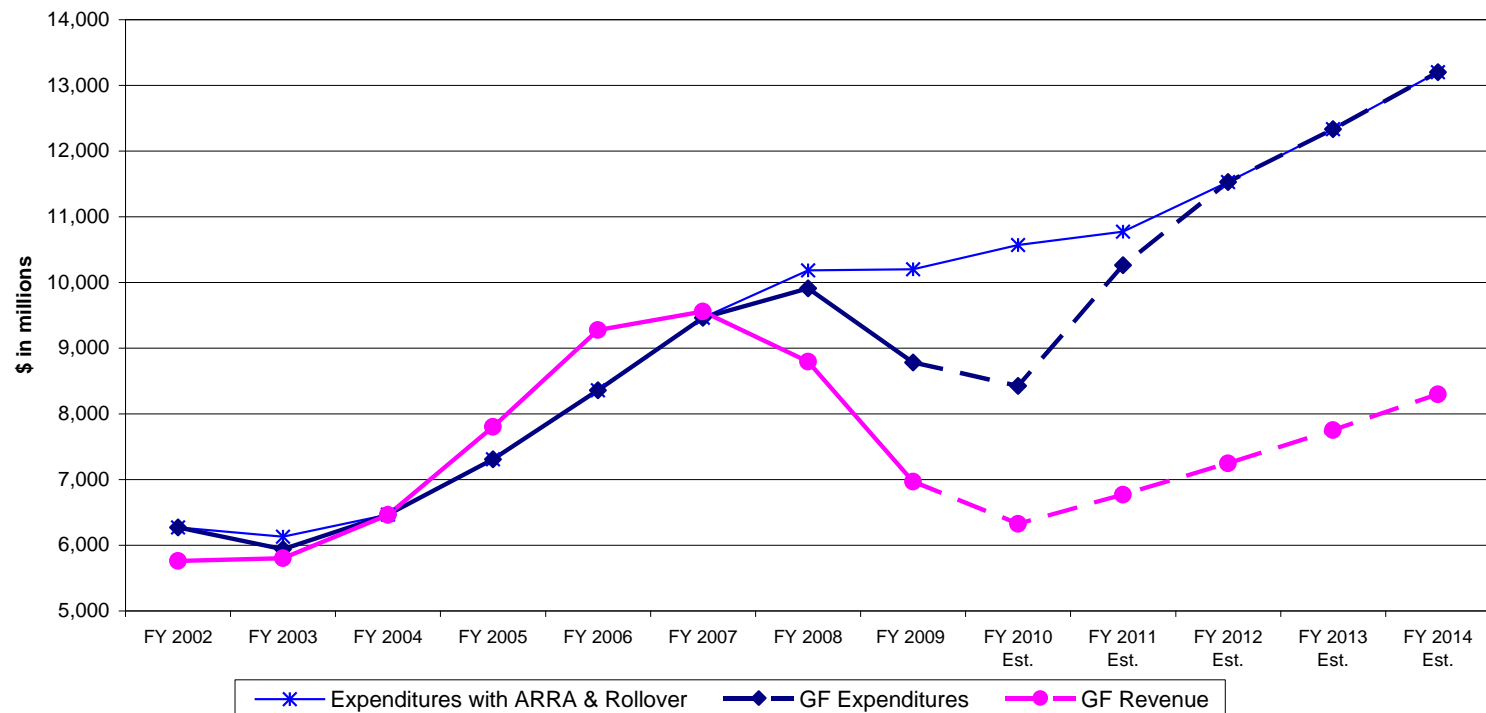
FY 2010 and FY 2011

What's the Problem?

-Structural Deficit



General Fund Ongoing Revenue and Expenditures before Solutions



Assumptions: **Revenue:** Ongoing revenue does not include one time items such as fund transfer, asset sales, etc. Growth rates assumptions: FY10: -9.2%, FY11:7%, FY12 and 7%. **Expenditure:** Ongoing expenditure does not include rollover or ARRA. FY10 and FY11 estimated Expenditure from most current S&U, FY12 and beyond assuming 7% growth.

How did we get here?



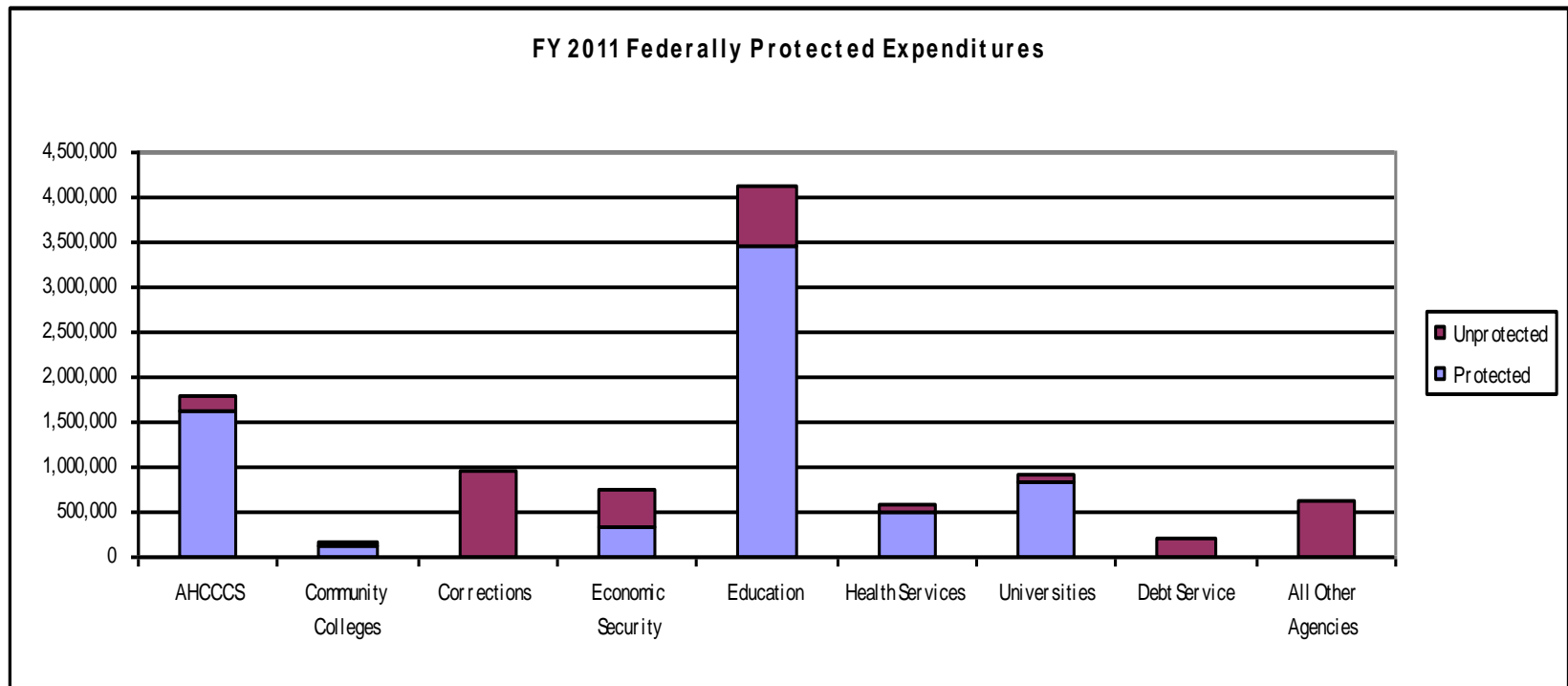
Growing Populations – Including FY 2011 Estimates

Current revenues = FY 2004

- Since FY 2004, Arizona has added 121,500 K-12 students and more than \$1.0 billion in annual costs to the K-12 system.
- Since FY 2004, enrollment in State universities has increased enrollment by 18,100 students and annual General Fund costs of \$393.5 million.
- Since FY 2004, Corrections has added 10,800 prisoners and annual General Fund costs of \$405.4 million.
- Since FY 2004, AHCCCS has added 475,000 new members and annual costs of nearly \$1.5 billion (General Fund).
-- In calendar 2009, AHCCCS has grown by 203,000 members --

FY 2011

State Budget – Protected Elements

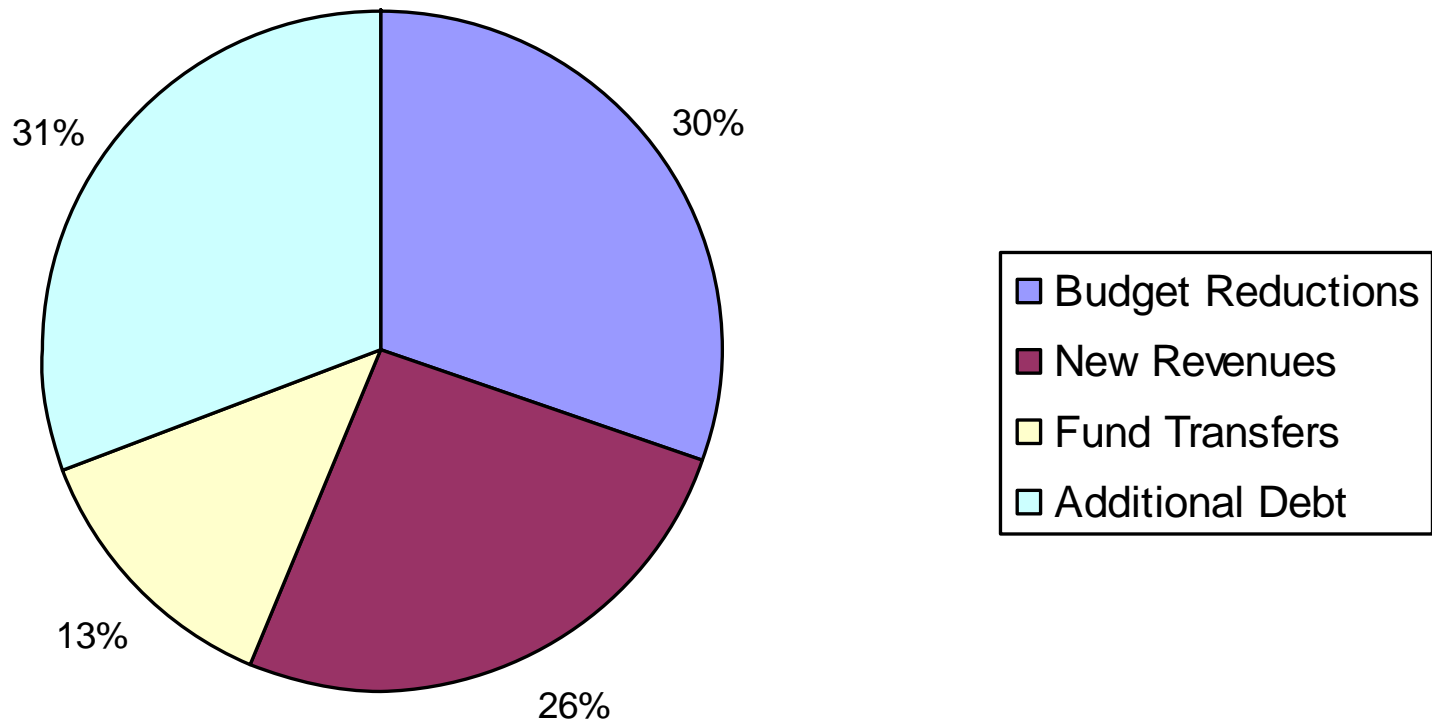


Approximately \$3.2 billion unprotected

The Budget Solution



FY 2010 - FY 2011 Budget Solutions



The Budget – Revenue



Revenue Enhancements

Item	FY 2010	FY 2011
Lower Estimated Payment Threshold	\$48,000.0	-
1-Cent Sales Tax	-	\$918,000.0
Abandoned Vehicle Fees	-	\$12,061.2
First Things First Redirect	-	\$60,000.0
Tax Adminsitration and Staff	-	\$18,539.9
Maricopa/Pima County Contributions	-	\$34,600.0
Total	\$48,000.0	\$1,043,201.1

Represents a 14.2 percent increase in FY 2011 base revenues

The Budget - Debt



FY 2010

Additional Rollovers	\$450 million
Additional Sell/Leaseback	\$300 million
Lottery Bonds	\$450 million
➤ Total FY 2010 new debt: \$1.5 Billion	
➤ Total FY 2010 Rollover: \$1.3 billion	

FY 2011

Refinance SFB Debt	\$60 million
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The Budget



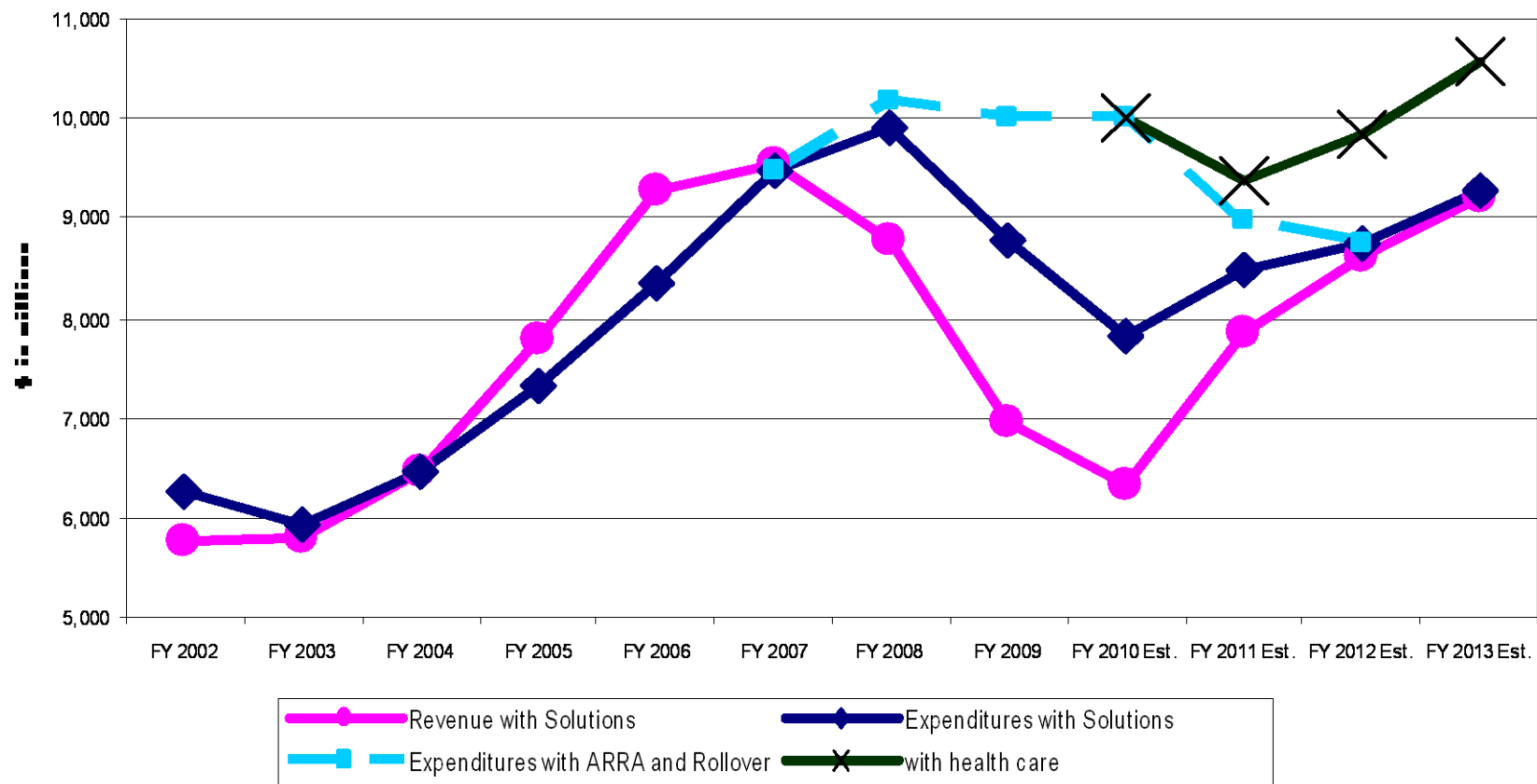
Major Budget Reductions

	Savings	Impact
➤ Medicaid Reform	\$380 MM	310,500
➤ Mental Health Reform	\$ 36 MM	14,400
➤ Welfare Reform	\$ 27 MM	10,000
➤ Childcare Limits	\$ 22 MM	10,000
➤ KidsCare	\$ 18 MM	46,000
➤ Education (FY 06 Levels)	\$422 MM	
➤ Employee Salary Reduction	\$ 45 MM	
➤ Increase Prison Bed Deficit	\$ 25 MM	

The Budget - Outcome



General Fund Ongoing Revenue and Expenditures Adopted Budget



Conditional Budget



• K-12 Education	\$428 million
• Higher Education	\$120 million
• Public Safety	\$100 million
• Health Care	\$175 million
• Human Services	\$25 million